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Project risk management exam questions and answers pdf

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1. A project manager discovers that a building code change could impact two adjacent projects, prompting her to collaborate with a competitor to combine their sewage systems. This is an example of which strategy? MitigateA. ShareB. AcceptC. ExploitD. 2. Which risk response technique is NOT used? ExploitA. TransferB. MitigateC. ConfrontD. 3. You're using a Risk Breakdown Structure (RBS) to manage risks. What process are you performing? Plan Risk ManagementA. Identify Risks Perform Qualitative Risk AnalysisC. Perform Quantitative Risk AnalysisD. 4. To monitor low-priority risks, which method is used? TriggersA. WatchlistsB. Probability and Impact MatrixC. Monte Carlo analysisD. 5. A construction project faces a 30% chance of three-day delay at $12,000 cost or a 20% chance of material price drop saving $5,000. What's the total Expected Monetary Value (EMV)? –$3,600A. $1,000B. –$2,600C. $4,600D. 6. Joe identifies risks on his software project by having experts submit anonymous suggestions. Which technique is he using? SWOTA. Ishikawa diagrammingB. DelphiC. D. Brainstorming 7. Susan's construction project encounters weather delays but uses insurance to cover cost overruns. What risk response strategy did she use? ExploitA. TransferB. MitigateC. AvoidD. 8. During Identify Risks, two team members debate a potential risk, while the team may miss an opportunity discussion. Which option is NOT valid for responding to this opportunity? ExploitA. TransferB. ShareC. EnhanceD. 9. Residual risks are caused by responses to other risks, classified as what type of risks? Secondary risksA. Cumulative risksB. Mitigated risksC. The risk register contains information about potential risks that could impact the accounting project's payroll system. The objective of this project is to streamline the payroll system, reduce errors in accounts payable, and possibly save $200,000. Risk management involves identifying, analyzing, and prioritizing risks. Management reserves are used to handle known unknowns or high-priority risks, while contingency reserves are for handling unknown unknowns or low-priority risks. Effective risk management requires regular communication among team members, including discussing risks at milestone meetings. However, not all items belong in the risk register; it should focus on significant risks and their impact. Risk analysis involves evaluating potential outcomes based on probability and impact. In some cases, the expected monetary value (EMV) can be calculated to understand the financial implications of a risk. For instance, if there's a 50% chance that a new oven model will cost $650 more, the EMV would be $325. Tools like Monte Carlo analysis can simulate various outcomes and their probabilities, helping in understanding and managing project risks. In terms of risk response strategies, "accept" means recognizing that some risks are unavoidable, and planning for them is essential. This strategy involves accepting the potential impact without trying to mitigate or transfer it. When a critical supplier loses its contract, a project manager must find alternative suppliers quickly to avoid delays in project completion. Consult the risk register and discover you didn't plan for this situation. The best way to handle it? Consult the probability and impact matrix. A. Perform Quantitative Risk Analysis B. Look for a new supplier for the part C. Recommend preventive actions D. Perform Qualitative Risk Analysis Project Risk Management involves identifying potential risks through brainstorming or other techniques, such as Delphi or SWOT analysis. Joe's approach to project risk management, where he contacts a team of experts and has them come up with a list anonymously, is an example of the Delphi technique. A risk register contains identified risks, their probability, impact, and any planned responses. To manage these risks effectively, it's crucial to maintain a contingency reserve based on the identified risks' potential costs. This contrasts with management reserves, which are used for unforeseen events within cost management plans. Risk monitoring and response involve reviewing the risk register regularly, typically at project status meetings, to ensure timely reactions to emerging threats. The probability and impact matrix is a tool used in risk analysis but is not part of the risk register; it helps categorize risks based on their potential effect on the project. Engaging all team members in risk management, particularly during Plan Risk Responses, ensures a comprehensive approach by tapping into diverse perspectives, increasing the likelihood of identifying significant risks. Effective risk assessment involves calculating expected monetary values (EMVs), which is useful for determining contingency reserves. However, Monte Carlo analysis uses computer simulations to model different scenarios and their impact on project outcomes. Lastly, when faced with unchangeable circumstances, it's essential to accept them and communicate the risks clearly to stakeholders, even if they can't be mitigated. **Project Risk Management** * **Definition:** The systematic process of identifying, assessing, analyzing, and mitigating potential risks to ensure the successful outcome of a project. * **Importance:** Crucial aspect of project management that proactively addresses uncertainties and threats to minimize their adverse effects on project objectives. ### Key Components 1. 1. It increases the likelihood of project success by addressing uncertainties proactively. 2. The first step in Project Risk Management is risk identification. 3. An example of a project risk is changes in project scope during execution. 4. Risk assessment involves prioritizing risks based on their probability and impact on project objectives. 5. A risk response strategy that involves taking action to eliminate a risk or its impact is risk avoidance. 6. Risk mitigation refers to reducing the probability and impact of a risk. 7. The purpose of a risk register in Project Risk Management is to document all identified risks and their characteristics. 8. Risk appetite in Project Risk Management is the amount of risk that an organization is willing to accept in pursuit of its objectives. 9. In a project, both the project manager and the project team are responsible for Project Risk Management. 10. The difference between a risk and an issue in Project Risk Management is that risks have a known outcome while issues are uncertain events. Potential future events are referred to as risks, while issues represent current problems requiring immediate attention. Therefore, it can be concluded that risks have a low probability of occurrence, and issues have a high probability of occurrence. Risk identification should take place continuously throughout the project lifecycle. A risk response plan outlines how the project team will address and manage identified risks. This strategy does not involve avoiding or transferring risks but rather focuses on mitigating their impact. The purpose of risk monitoring and control is to regularly assess and review the effectiveness of risk responses. One risk response strategy involves acknowledging the potential impact of a risk but taking no action to address it, which is known as risk acceptance. A risk breakdown structure (RBS) categorizes risks based on their source and characteristics, providing a visual representation of the project schedule. Project Risk Management contributes to project success by proactively managing and reducing the probability and impact of potential risks. Project Risk Management involves identifying, analyzing, prioritizing, and managing risks to ensure project success. Various strategies and techniques are employed to mitigate potential threats. * The importance of historical data from previous projects and lessons learned cannot be overstated in facilitating risk identification. By leveraging this knowledge, project managers can make informed decisions and take proactive steps to address potential risks. * Risk response strategies include avoidance, transfer, acceptance, and contingency planning. Contingency planning involves creating backup plans to deal with potential risks, ensuring that the project remains on track despite unforeseen circumstances. * The risk threshold is a critical component of Project Risk Management, as it defines the level of risk that is acceptable or tolerable for the project. This threshold helps project managers prioritize and manage risks effectively. Risk tracking matrices or dashboards enable project managers to monitor the progress of risk response plans in real-time, ensuring that necessary actions are taken promptly. Positive risks have a positive impact on the project, whereas negative risks have a negative impact. Effective risk management involves identifying and addressing both types of risks proactively. A risk owner is responsible for managing and addressing specific risks, ensuring that necessary steps are taken to mitigate potential threats. Project managers determine the priority of risks by considering factors such as the likelihood of occurrence, potential impact, and cost of implementing risk responses. By prioritizing risks based on their probability and impact on project objectives, a risk matrix helps identify the most critical threats that need to be addressed. This approach enables effective resource allocation and risk response strategy development. A risk probability and impact matrix serves the purpose of: